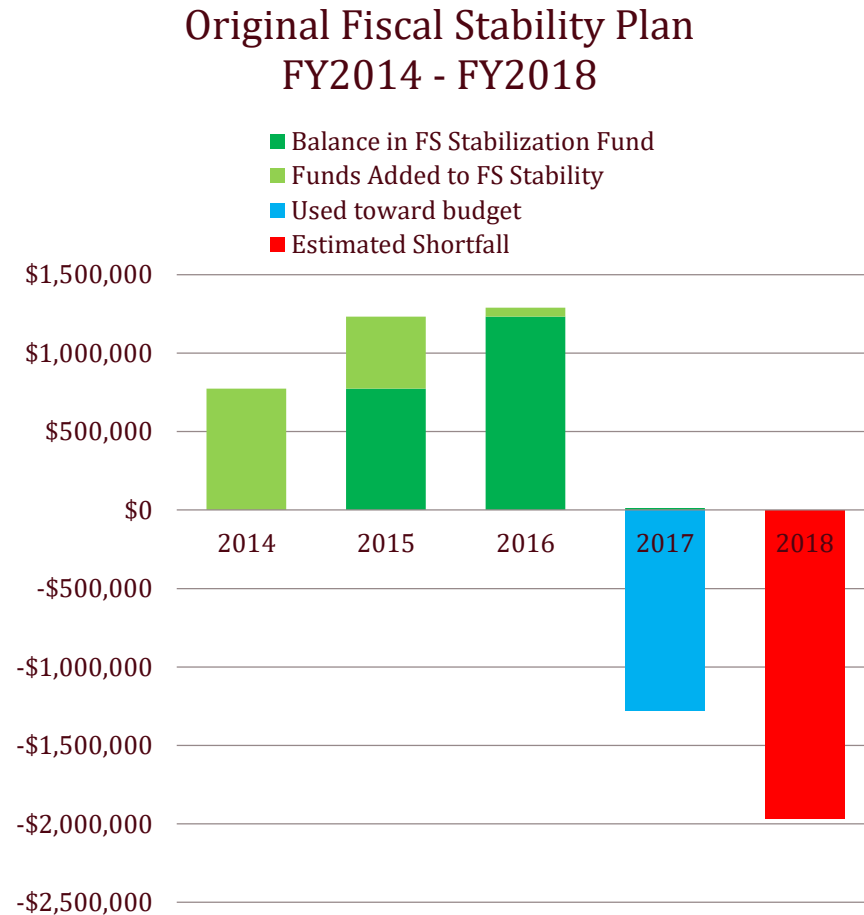


City of Northampton, MA FY2020 Budget Forecast

Mayor David J. Narkewicz, January 31, 2019

The Original Fiscal Stability Plan - Spring of 2013

- In 2013, Northampton voters approved a general fund operating override for \$2.5 million dollars, that was intended to provide fiscal stability from FY2014 thru FY2017 – a period of 4 years.
- The original plan called for setting aside override funds in a Fiscal Stability Stabilization Fund in FY2014, FY2015 and FY2016, and then using those funds to fund the FY2017 budget, at which point the FY2018 budget would need either another operating override or budget reductions to be balanced.



The Fiscal Stability Plan has allowed Northampton to experience six years of fiscal stability:

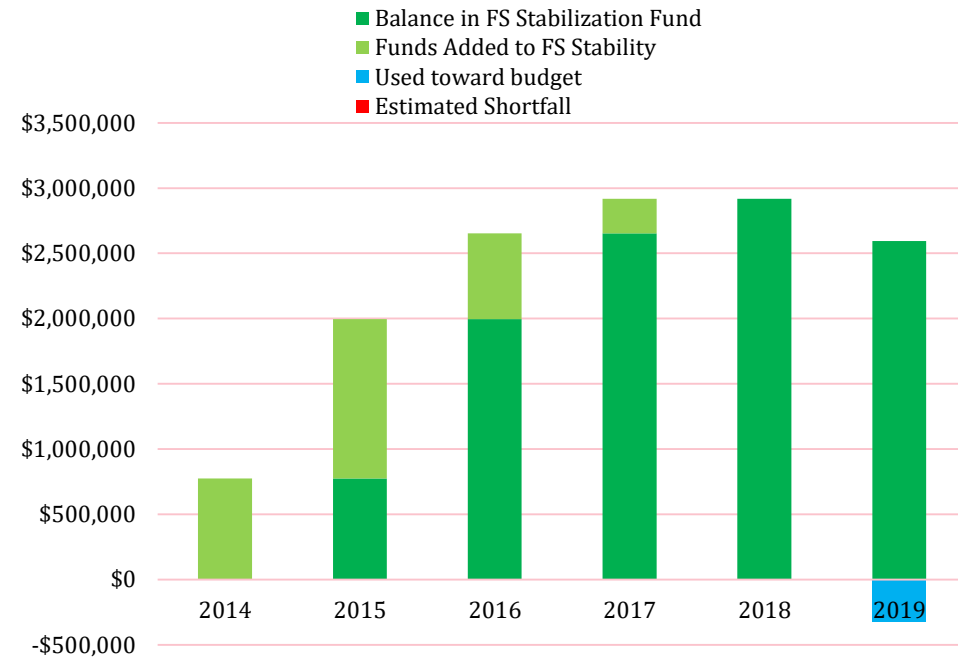
FY2014, FY2015, FY2016, FY2017, FY2018, FY2019

The Fiscal Stability Plan was able to be extended largely because of an improving economy which resulted in:

- Greater than anticipated new growth from building activity
- Building Permit and Motor Vehicle Excise Revenues exceeding projections
- Small but unanticipated gains in State Aid in Chapter 70 (school aid) and UGGA (Unrestricted General Government Aid)

Current Fiscal Stability Plan
reflecting savings and use over 6 fiscal years
Current Balance \$2,673,850

Fiscal Stability Plan
FY2014 - FY2021

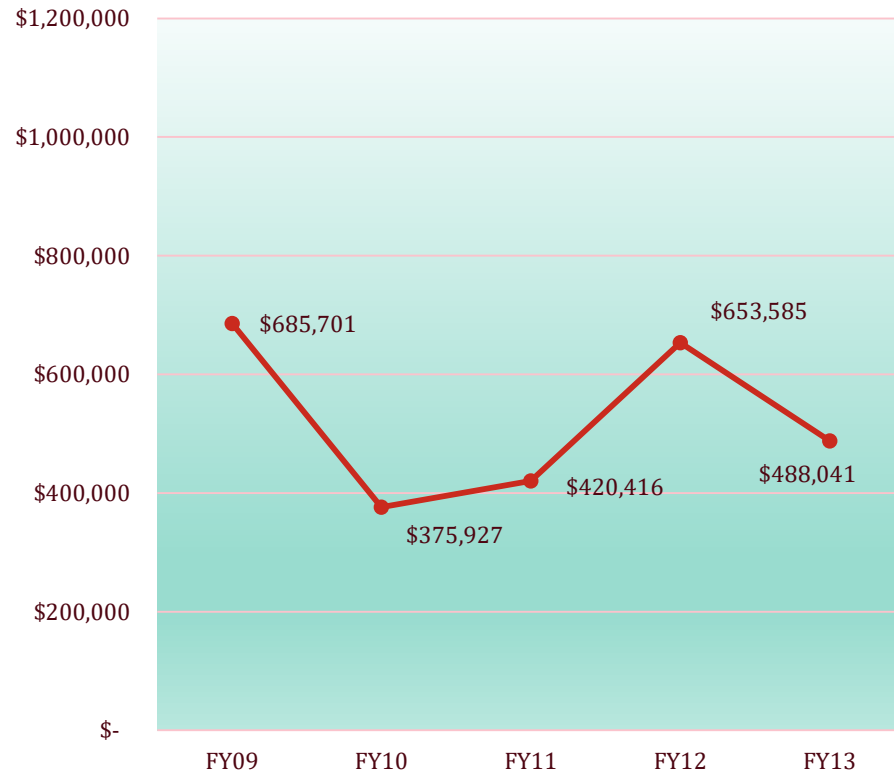


New Growth:

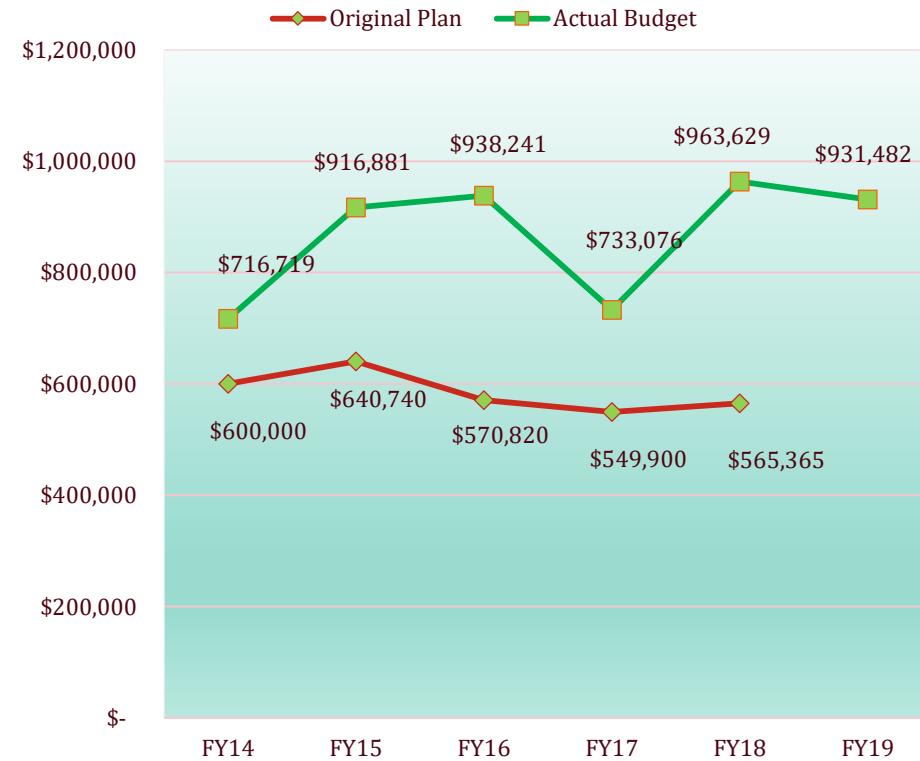
New Growth over the last six years was higher than projected in the Original Plan

New Growth FY2009 to FY2013

Average over five years - \$524,734



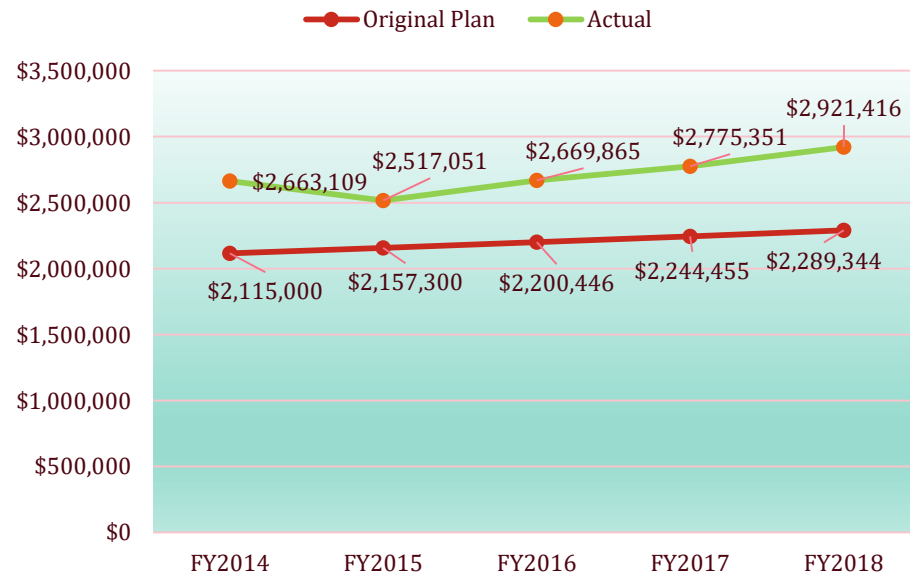
New Growth FY2014 - FY2019
Original Plan Projection versus Actual New Growth



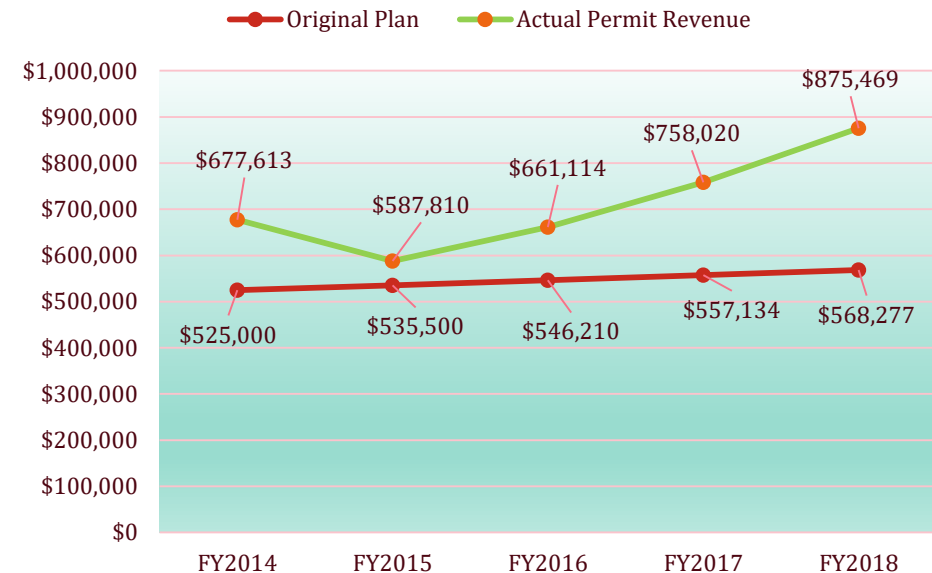
Motor Vehicle Excise and Building Permit Revenue exceeded Original Projections:

- Motor Vehicle Excise Taxes averaged \$2.15 million from FY2009 to FY2013
- The original projection for FY2014 to FY2018 was calibrated on an average of \$2.20 million per year based on past performance – red line
- Actual Motor Vehicle Excise Taxes increased substantially from FY2014 to FY2018 due to the economy – green line
- Building Permit Revenue averaged \$520,000 from FY2009 to FY2013
- The original projection for FY2014 to FY2018 was calibrated on an average of \$525,000 per year based on past performance – red line
- Actual Building Permit Revenue increased substantially from FY2014 to FY2018 due to the economy – green line

Motor Vehicle Excise FY2014 - FY2018
Original Plan versus Actual Revenue



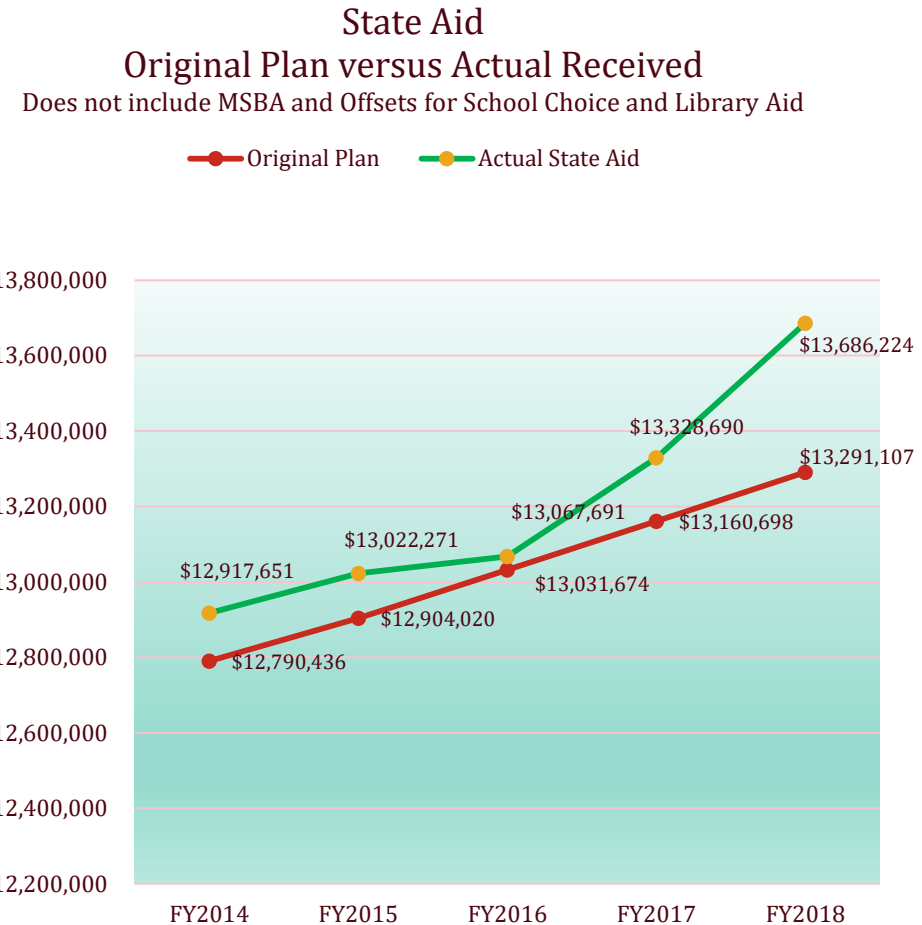
Building Permit FY2014 - FY2018
Original Plan versus Actual Revenue



Small Gains in State Aid:

State Aid consists of Chapter 70 School Aid, Unrestricted General Government Aid (UGGA), Charter School Reimbursements, Payments in Lieu of Taxes for State Owned Land, Veterans Benefits Reimbursements and Reimbursements for Abatements for Elderly, Disabled, etc.

- The only new money the city received in C.70 School Aid was minimum per pupil aid – an average of 1% more per year or approximately \$90,000 more per year over the five year period
- The city also received small increases in UGGA – an average of 3.39% more per year or approximately \$130,000 more per year over the five year period
- There were some decreases in State Aid as well which offset the gains in revenue, particularly with Charter School reimbursements being underfunded
- The net overall increase in state aid compared with the Original Plan was \$844,592 or approximately \$169,000 more per year over the five year period

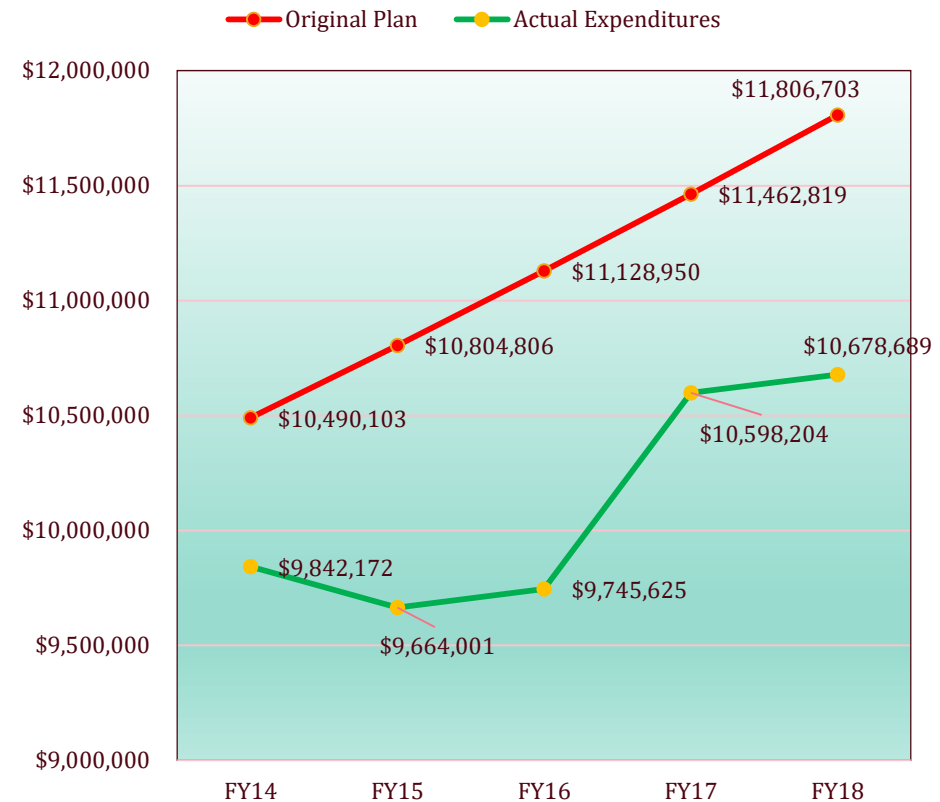


Another Factor was Health Insurance:

Health insurance costs grew an average of 1.37% per year after joining the GIC, rather than the 3.0% we anticipated in the Original Plan

- From FY2008 to FY2013 Health Insurance grew at the rate of 3.2%
- The original projection for FY2014 – FY2018 was calibrated on a 3.0% increase per year based on past performance – **red line**
- In FY2014 the city opted into the Group Insurance Commission (GIC) which has contained increases to a five year average of 1.37% - saving approximately \$5 million over the five year period – **green line**

Health Insurance FY2014 - FY2018
Original Plan versus Actual Expenditures

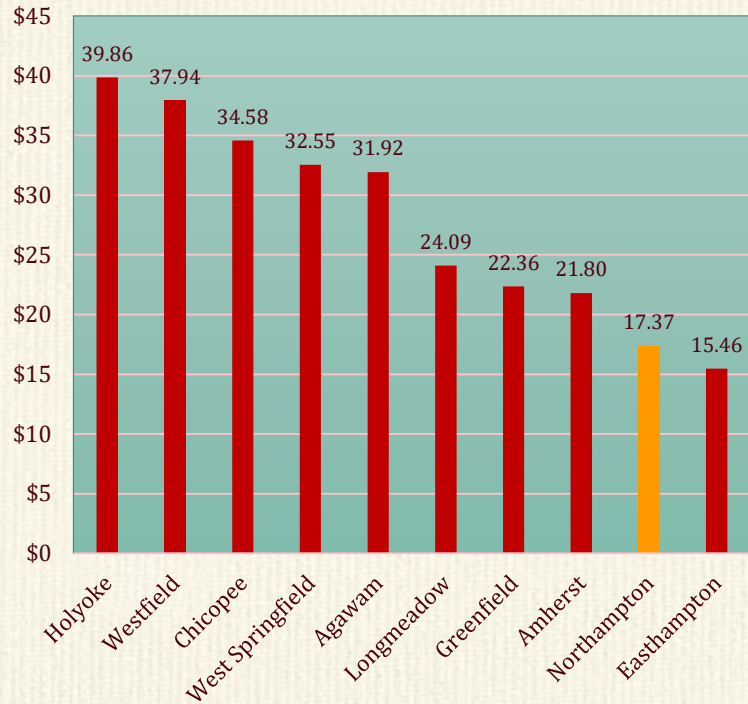




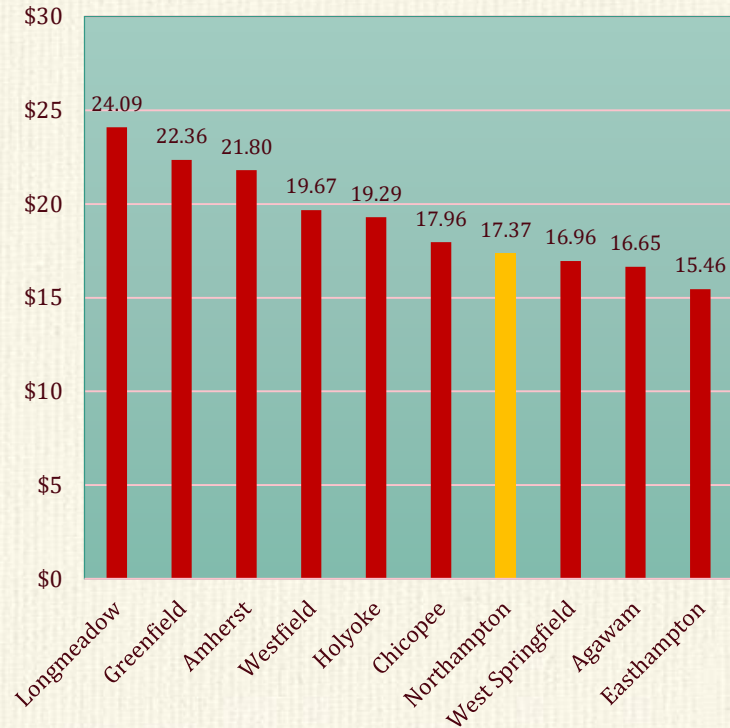
Fiscal stability has allowed Northampton to:

- Maintain city and school staffing
- Rebuild and grow vital reserves for financial flexibility
- Upgrade city's Bond Rating from A+ stable in FY2013 to AAA stable in FY2016 - present
- Fund important capital needs
- Invest in parks, open space, rail trails, affordable housing, renewable energy, bike share, climate resiliency and regeneration, etc.
- Maintain a competitive tax rate - \$17.37/\$1,000 in FY2019

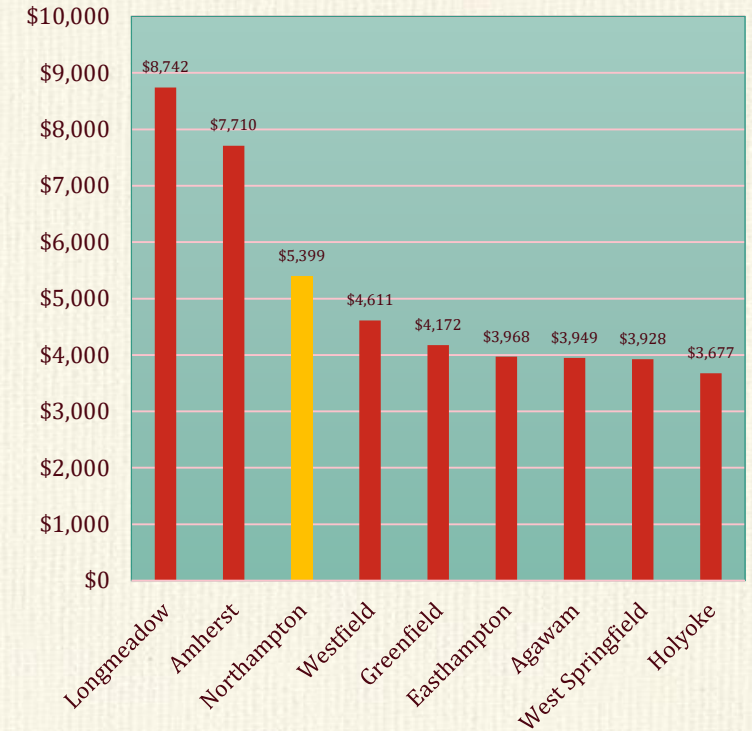
Commercial and Industrial Tax Rate for
FY2019
Northampton \$17.37/\$1000



Residential Tax Rates for FY2019
Northampton \$17.37/\$1000



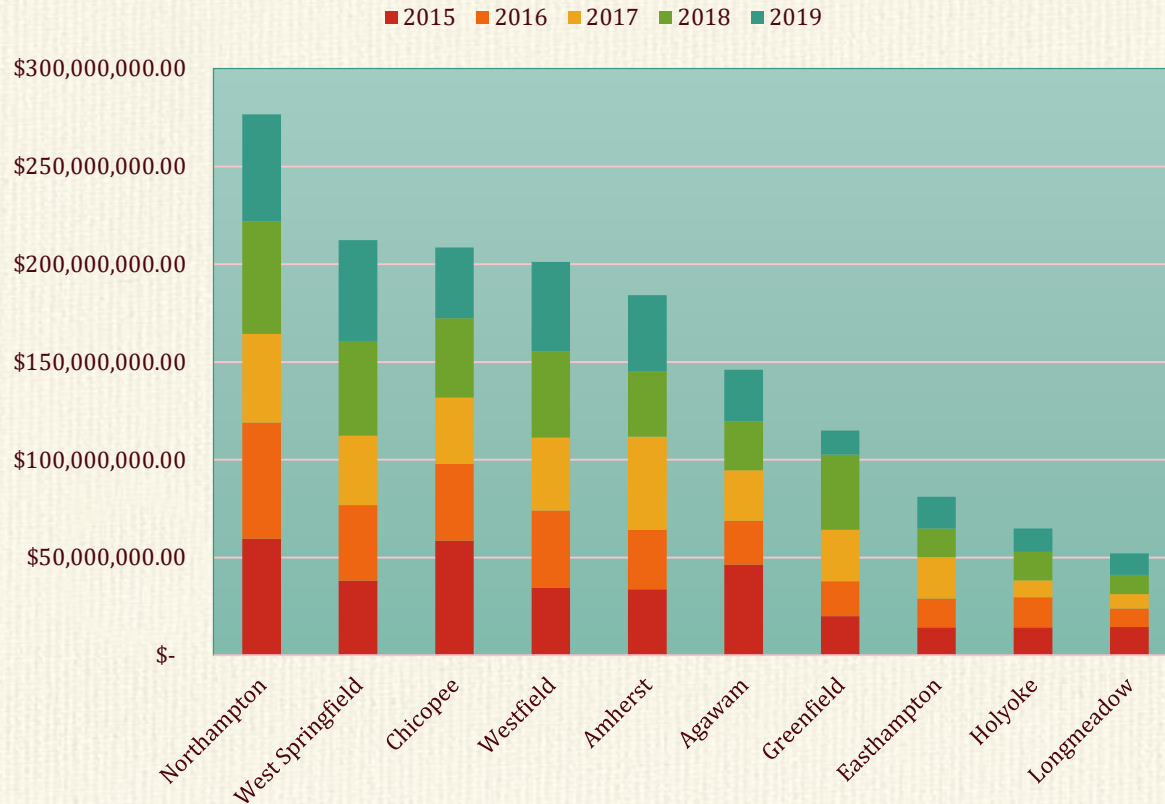
Average Single Family Tax Bill for FY2019
State Average \$6085
Northampton \$5399



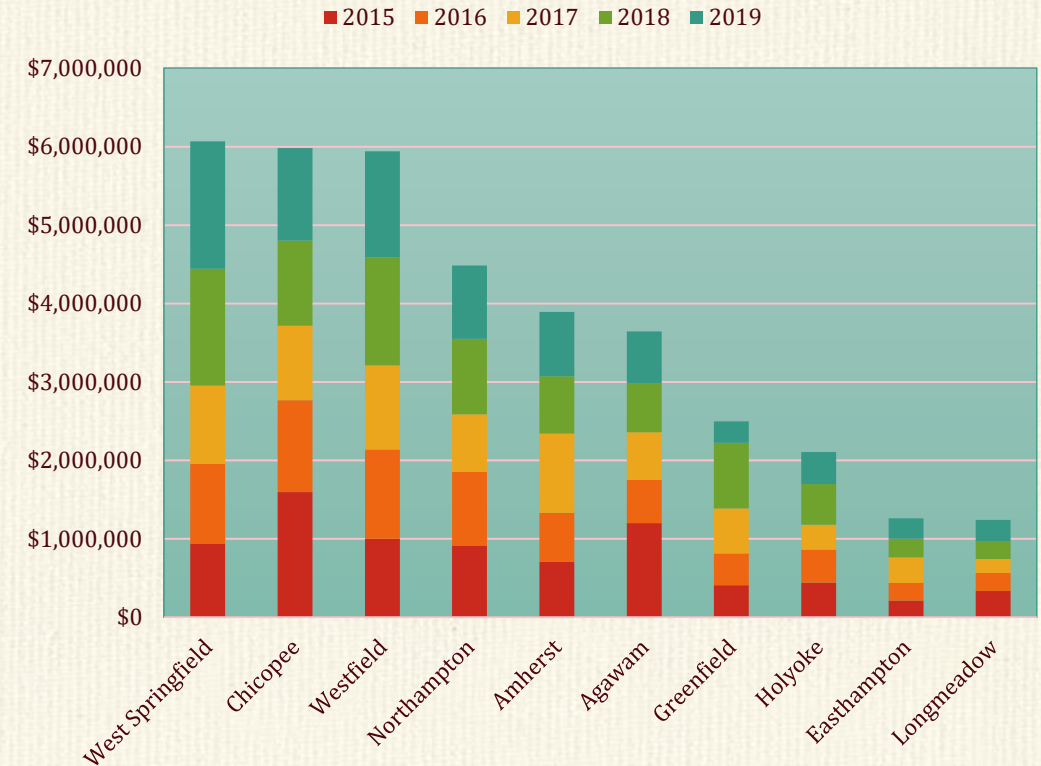
Tax rate comparisons to surrounding communities

Commercial/Industrial Tax Rate - Residential Tax Rate - Average Single Family Tax Bill

Total New Growth Value
FY2015 – FY2019



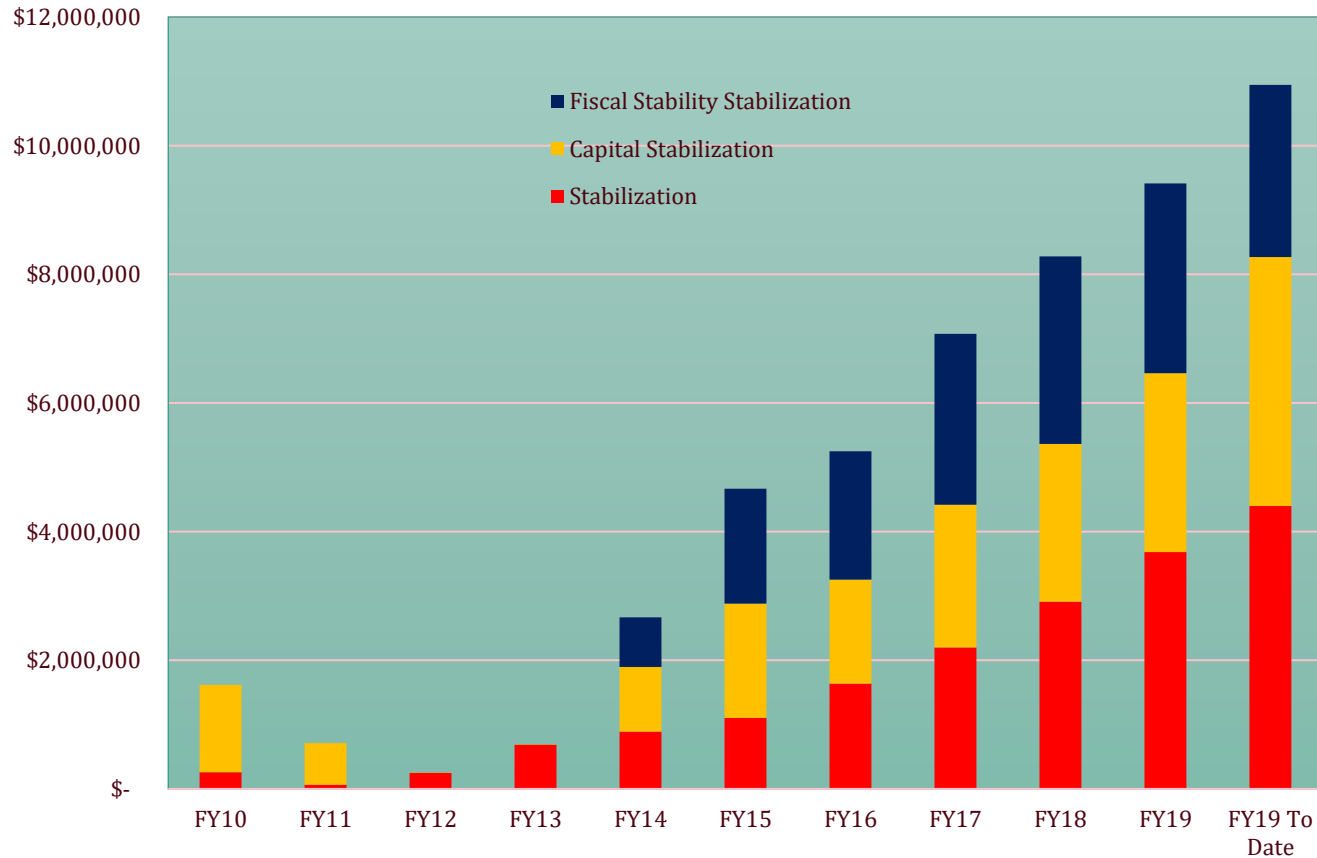
Total New Growth Applied to Levy Limit
A Function of the Tax Rate
FY2015- FY2019



Leading in New Growth and Development

New Growth over 5 years FY2015 – FY2019
Total New Growth Value and Actual New Growth Applied to Levy Limit

City of Northampton
General Fund History of Reserves
Stabilization, Capital Stabilization and Fiscal Stability Funds
FY10 - FY19



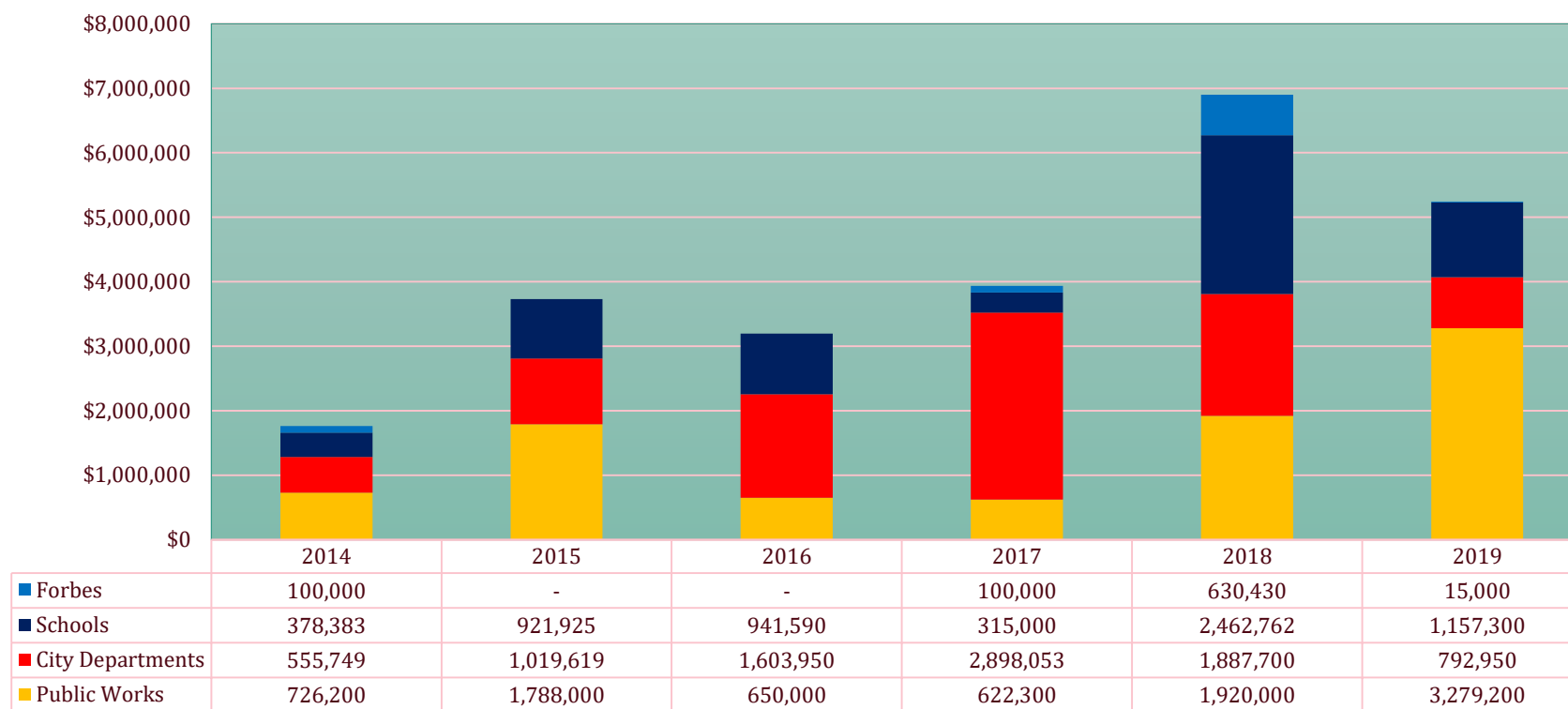
Financial flexibility and bond rating gains are the direct result of our efforts to build reserves

Northampton has worked to increase its reserves, regularly funding three Stabilization Funds:

- Stabilization – for emergencies
- Capital Stabilization – for capital needs
- Fiscal Stability Stabilization – for operating shortfalls

We have also made progress investing in our infrastructure, facilities, vehicles and equipment:

General Fund Capital Improvement Program Spending
FY2014 - FY2019
by Fiscal Year

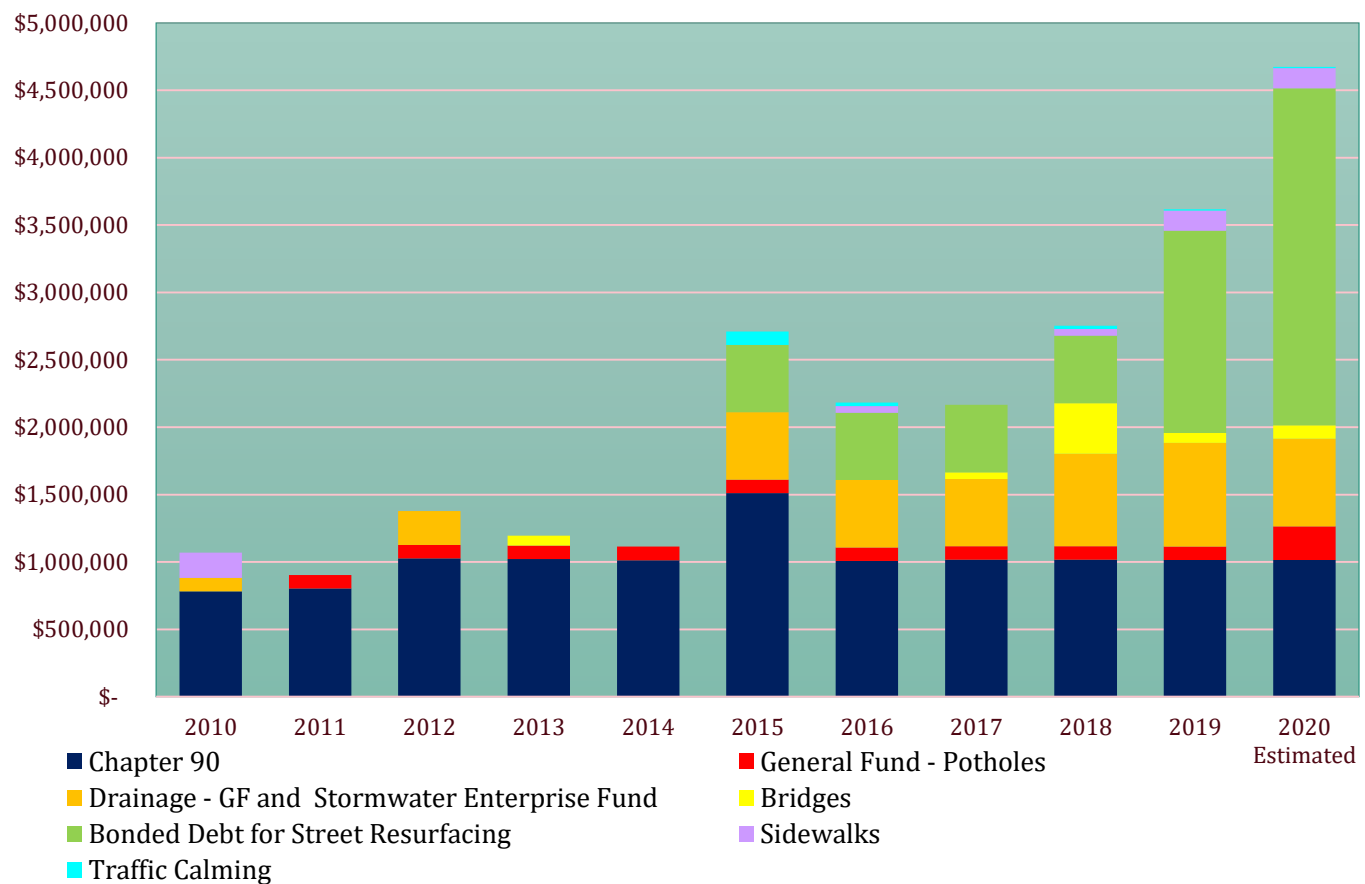


Transportation Investments

FY2010 - FY2020

Fiscal Year Appropriations

FY2020 Estimated



Investments in transportation infrastructure have also been prioritized

While at the same time our C.90 allotment from the state remains at a relatively static level with the exception of FY2015.

A key aspect of the Fiscal Stability Plan was stabilizing city finances while lobbying Governor & Legislature to address structural state funding issues such as:

- Education Funding – We are still waiting for reforms to the C.70 funding formula to take into account the real costs of special education, health insurance, etc. in the foundation formula (*#FBRC*)
- Charter School Funding – We are still waiting for full funding of Charter School Tuition Mitigation as per the state formula. We are also still waiting for a revision of the overall flawed Charter School funding model
- Chapter 90 – We are still waiting for long overdue increases in much needed C.90 funds to improve our roads, bridges and sidewalks
- Progressive Income Tax Reforms – We are still waiting for income tax reforms like the ill-fated Fair Share Amendment (*a.k.a. Millionaires Tax*) need to increase state revenue fairly and progressively while taking pressure off of local property taxes
- Local Control - We are still waiting for greater local control over our own financial destiny from economic development reforms around liquor licenses to more local tax options other than property tax



New, long awaited Local Option Taxes:

The new Adult Use Marijuana Local Option Tax and the new Short-Term Rental Local Option Tax (Airbnb) are welcome news, but have taken a long time to come to fruition. For FY2020, we are working to determine an accurate and predictable revenue stream for these new revenues.



Governor Baker's Proposed FY2020 Budget

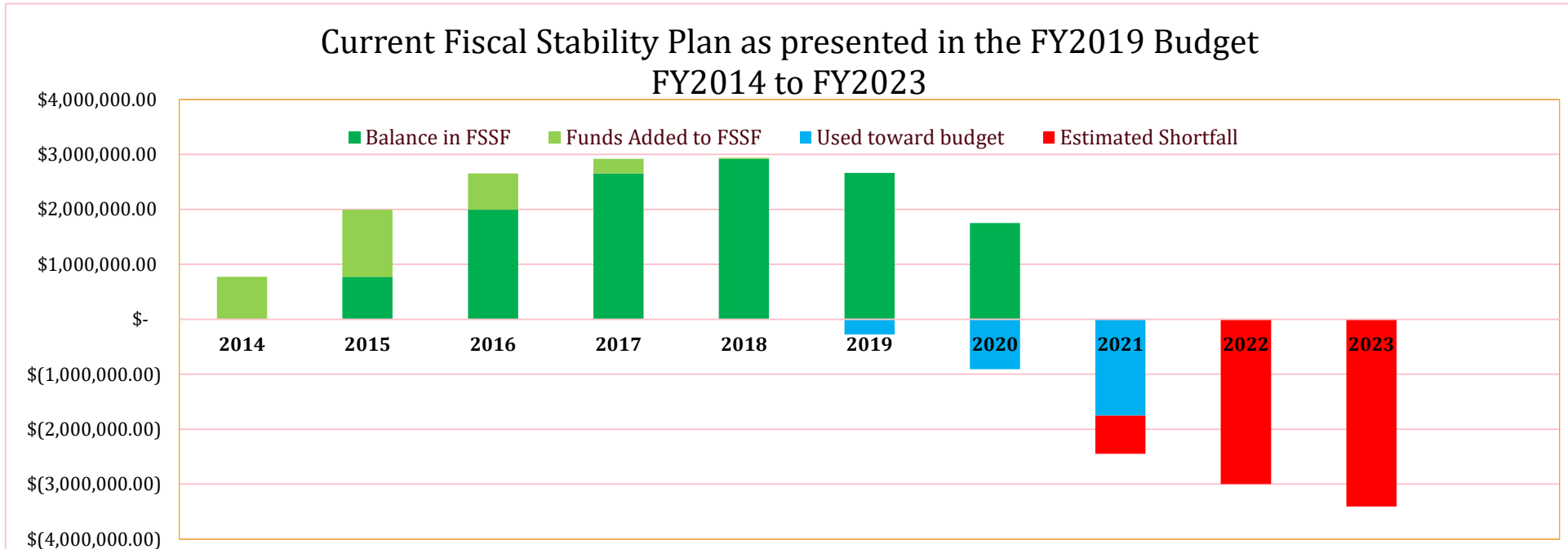
Northampton projected to receive \$160,954 LESS than FY2019

FY2020 Preliminary Cherry Sheet Estimates Based on Governor's Budget Northampton			
REVENUES			
PROGRAM	FY2019 Cherry Sheet Estimate	FY2020 Governor's Budget Proposal	Net Change
Education Receipts:			
Chapter 70	8,387,214	8,443,334	56,120
Charter Tuition Reimbursement	313,146	191,753	-121,393
Sub-Total, Education Items:	8,700,360	8,635,087	-65,273
General Government:			
Unrestricted Gen Gov't Aid	4,544,558	4,667,261	122,703
Veterans Benefits	415,275	437,906	22,631
Exemp: VBS and Elderly	115,897	115,741	-156
State Owned Land	95,951	95,638	-313
Sub-Total, All General Government:	5,171,681	5,316,546	144,865
Total All Estimated Revenues:	13,872,041	13,951,633	79,592
CHARGES			
PROGRAM	FY2019 Cherry Sheet Estimate	FY2020 Governor's Budget Proposal	Net Change
State Assessments and Charges:			
Air Pollution Districts	8,485	8,332	-153
RMV Non-Renewal Surcharge	81,640	81,640	0
Regional Transit	442,864	442,864	0
Special Education	0	4900	4,900
School Choice Sending Tuition	436,947	485,135	48,188
Charter School Sending Tuition	2,690,375	2,877,986	187,611
Total All Estimated Charges:	3,660,311	3,900,857	240,546
Net of Increased Revenues and Increased Charges:			-160,954

FY2020 Key Budget Factors Known and To-Be-Determined (TBD):

- Adult Use Marijuana Local Option Tax - \$\$\$ TBD
- Short Term Rental (Airbnb) Local Option Tax - \$\$\$ TBD
- Anticipated Revenue from two Solar PILOTs - \$\$\$ TBD
- Employee Health Insurance - \$\$\$ TBD
- Net State Aid – Governor - \$160,546 / House and Senate - \$\$\$ TBD
 - Charter School Tuition - \$187,611 increase
 - Charter School Reimbursement - \$121,393 decrease
- New City and School Collective Bargaining Agreements - \$\$\$ TBD
- City Retirement Assessment - \$475,143 increase
- Capital Debt Service - \$87,814 increase

Current and Future Viability of the Fiscal Stability Plan

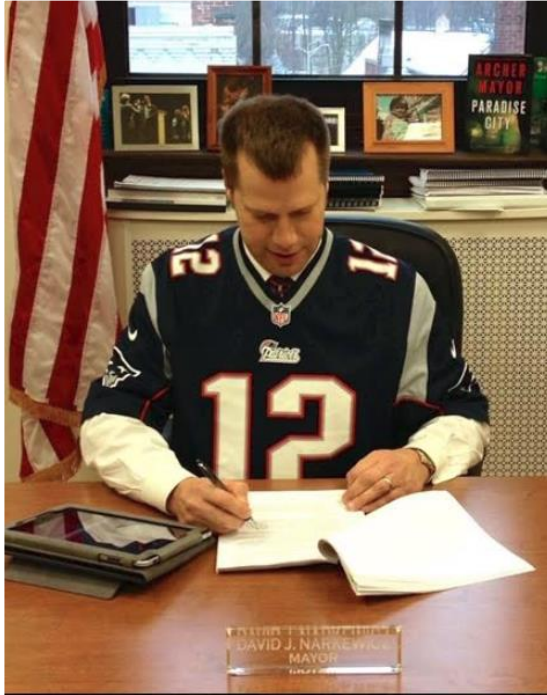


The FY2019 Budget relies on \$277,850 of Fiscal Stability Funds. The balance at the end of FY2019 will be \$2,673,850. Over the next several months we will be evaluating the impact of new local option taxes, solidifying key budget costs (collective bargaining, health insurance, etc.) and assessing the likelihood of structural changes to state funding, in order to update the Fiscal Stability Plan.

ANNUAL DISCLAIMER: When the Fiscal Stability Plan is exhausted, we will either need another operating override or significant cuts in city and school services to balance future budgets.

FY2020 Budget Timeline:

- **January 31, 2019** – Mayor's joint meeting of the City Council & School Committee
- **April 16, 2019** – Northampton Public Schools and Smith Vocational & Agricultural High School adopted budgets submitted to the Mayor
- **Late April 2019** – Mayor holds Town Hall Budget Meetings
- **May 16, 2019** – Mayor submits proposed City of Northampton FY2020 Budget
- **June 30, 2019** – Deadline for City Council to hold a public hearing and vote on proposed FY2020 Budget



Questions?

City of Northampton, MA
FY2020 Budget Forecast
Mayor David J. Narkewicz, January 31, 2019